

SUBCOMMITTEE NO. 1

Agenda

Senator Richard D. Roth, Chair
Senator Connie M. Leyva
Senator Mike Morrell



Thursday, April 11, 2019
9:30 a.m. or upon adjournment of session
State Capitol - Room 3191

Consultant: Anita Lee and Elisa Wynne

Items for Discussion

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6870 CALIFORNIA COMMUNITY COLLEGES

The California Community Colleges (CCC) is the largest system of community college education in the United States, serving approximately 2.1 million students annually, with 1.2 million of these full-time equivalent students. The CCC system is made up of 114 colleges operated by 72 community college districts throughout the state. California's two-year institutions provide programs of study and courses, in both credit and noncredit categories, which address its three primary areas of mission: education leading to associates degrees and university transfer; career technical education; and basic skills. The community colleges also offer a wide range of programs and courses to support economic development and specialized populations.

As outlined in the Master Plan for Higher Education in 1960, the community colleges were designated to have an open admission policy and bear the most extensive responsibility for lower-division, undergraduate instruction. The community college mission was further revised with the passage of Assembly Bill 1725 (Vasconcellos), Chapter 973, Statutes of 1988, which called for comprehensive reforms in every aspect of community college education and organization.

The Board of Governors (BOG) of the CCCs was established in 1967 to provide statewide leadership to California's community colleges. The board has 17 members appointed by the Governor, subject to Senate confirmation. Twelve members are appointed to six-year terms and two student members, two faculty members, and one classified member are appointed to two-year terms. The objectives of the board are:

- Provide direction, and coordination to California's community colleges.
- Apportion state funds to districts and ensure prudent use of public resources.
- Improve district and campus programs through informational and technical services on a statewide basis.

Additionally, key functions include setting minimum standards for districts, maintaining comprehensive educational and fiscal accountability system and overseeing statewide programs.

3-YEAR EXPENDITURES AND POSITIONS [†]

		Positions			Expenditures		
		2017-18	2018-19	2019-20	2017-18*	2018-19*	2019-20*
5670	Apportionments	10.6	10.6	10.6	\$7,753,473	\$8,179,124	\$8,569,976
5675	Special Services and Operations	134.7	132.9	133.9	1,722,414	1,853,136	1,694,648
5685	Mandates	-	-	-	32,274	33,279	34,243
9900200	Administration - Distributed	-	-	-	-	-	-
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		145.3	143.5	144.5	\$9,508,161	\$10,065,539	\$10,298,867

California Community Colleges Funding by Source
(Dollars in Millions Except Funding Per Student)

	2017-18 Actual	2018-19 Revised	2019-20 Proposed	Change From 2018-19	
				Amount	Percent
Proposition 98					
General Fund	\$5,757	\$6,055	\$6,117	\$62	1.0%
Local property tax	2,963	3,119	3,321	202	6.5
Subtotals	(\$8,720)	(\$9,174)	(\$9,438)	(\$264)	(2.9%)
Other State					
Other General Fund ^a	\$466	\$819	\$683	-\$136	-16.6%
Lottery	231	253	253	— ^b	-0.1
Special funds	96	95	93	-2	-2.2
Subtotals	(\$793)	(\$1,167)	(\$1,028)	(-\$138)	(-11.9%)
Other Local					
Enrollment fees	\$457	\$457	\$459	\$2	0.4%
Other local revenues ^c	4,644	4,663	4,685	22	0.5
Subtotals	(\$5,102)	(\$5,120)	(\$5,145)	(\$24)	(0.5%)
Federal	\$288	\$288	\$288	—	—
Totals	\$14,903	\$15,749	\$15,899	\$150	1.0%
Full-Time Equivalent (FTE) Students	1,125,224	1,132,757	1,136,214	3,457	0.3%
Proposition 98 Funding Per FTE Student	\$7,749	\$8,099	\$8,306	\$207	2.6%
Total Funding Per FTE Student	\$13,244	\$13,903	\$13,993	\$89	0.6%

^aIn 2018-19 and 2019-20, includes the Governor's proposal to provide supplemental payments to the California State Teachers' Retirement System.

^bProjected to decline by \$211,000.

^cPrimarily consists of revenue from student fees (other than enrollment fees), sales and services, and grants and contracts, as well as local debt-service payments.

Issue 1: Student Centered Funding Formula

Panel

- Michelle Nguyen, Department of Finance
- Edgar Cabral, Legislative Analyst's office
- Christian Osmeña, Community College Chancellor's Office

Background

Prior to 2018-19, the state based general purpose apportionment funding for both credit and noncredit instruction almost entirely on full time equivalent (FTE) enrollment. Last year, the state changed the credit-based apportionment formula, now known as the Student Centered Funding Formula (SCFF), to include three main components, described in the next three paragraphs. For each of the three components, the state set new per-student funding rates. In future years, these underlying rates are to receive a cost-of-living adjustment (COLA). The new formula does not apply to credit enrollment generated from incarcerated students or high school students. It also does not apply to noncredit enrollment. Apportionments for these students remain based entirely on enrollment.

Base Allocation. As with the prior apportionment formula, the base allocation gives each district certain amounts for each of its colleges and state-approved centers. It also gives each district funding for each credit FTE student (\$3,727 in 2018-19). Calculating a district's FTE student count involves several somewhat complicated steps, but basically a district is funded based on a three-year rolling average of its FTE student count. The rolling average takes into account a district's current-year FTE count and counts for the prior two years. As discussed later, enrollment growth for the budget year is funded separately.

Supplemental Allocation. The SCFF provides an additional \$919 for every student who receives a Pell Grant, receives a need-based fee waiver, or is undocumented and qualifies for resident tuition. Student counts are "duplicated," such that districts receive twice as much supplemental funding (\$1,838) for a student who is included in two of these categories (for example, receiving both a Pell Grant and a need-based fee waiver). The allocation is based on student counts from the prior year.

Student Success Allocation. The formula also provides additional funding for each student achieving specified outcomes—obtaining various degrees and certificates, completing transfer-level math and English within the student's first year, and obtaining a regional living wage within a year of completing community college. Each of the specified outcomes have different funding amounts, which is displayed in the chart on the following page.

Districts receive higher funding rates for the outcomes of students who receive a Pell Grant or need-based fee waiver, with somewhat greater rates for the outcomes of Pell Grant recipients. As with the supplemental allocation, funding is based on outcome data from the prior year.

Student Success Allocation in New CCC Formula
2018-19 Amounts by Student Outcome Measure and Student Type

Outcome Measure	All Students	Additional Funding for Each:	
		Pell Grant Recipient	Need-Based Fee Waiver Recipient
Associate degree for transfer	\$1,760	\$666	\$444
Associate degree	1,320	500	333
Credit certificate requiring 18 or more units	880	333	222
Transfer-level math and English courses completed within first academic year	880	333	222
Transfer to a four-year university	660	250	167
Nine or more career technical education units completed	440	167	111
Regional living wage obtained within one year of community college completion	440	167	111

Over Next Two Years, Base Allocation to Decrease, Student Success Allocation to Increase. In 2018-19, roughly 70 percent of the cost of the formula stems from the base allocation, 20 percent from the supplemental allocation, and 10 percent from the student success allocation. The share for the base allocation is scheduled to decrease to roughly 65 percent in 2019-20 and 60 percent in 2020-21, whereas the share for the student success allocation is set to increase to 15 percent in 2019-20 and 20 percent in 2020-21. To achieve these changes in shares, statute specifies changes to the base and student success rates for each of the next two years. Whereas the base rate is set to decrease from \$3,727 to \$3,046 over the period, the student success rates are set to double.

New Formula Insulates Districts From Funding Losses During Transition. The new formula includes several hold harmless provisions for community college districts that would have received more funding under the former apportionment formula than the new formula. For 2018-19, 2019-20, and 2020-21, these community college districts are to receive their total apportionment in 2017-18, adjusted for COLA each year of the period. Beginning in 2020-21, districts are to receive no less than the per-student rate they generated in 2017-18 under the former apportionment formula multiplied by their current FTE student count. To help districts with declining enrollment, the state also retained its longstanding one-year hold harmless provision that allows districts to receive the greater of their calculated current- or prior-year allotments.

State Allocates Enrollment Growth Separately From Other Components of the Apportionment Formula. Enrollment growth funding is provided on top of the funding derived from all the other components of the apportionment formula. Statute does not specify how the state is to go about determining how much growth funding to provide. Historically, the state considers several factors, including changes in the adult population, the unemployment rate, and prior-year enrollment. When the state funds growth, the Chancellor's Office uses a statutory formula to allocate that funding across community college districts. The allocation formula takes into account local educational attainment, unemployment, and poverty rates, as well as recent local enrollment trends. The formula is designed to direct a larger share of enrollment growth to high-need districts.

Community College Districts Required to Conduct Annual Financial Audits. Districts must contract annually with a certified public accountant to conduct an audit that reviews their financial statements and verifies compliance with state and federal programs. The compliance portion of the audit includes a review of districts' documentation relating to FTE enrollment. The Chancellor's Office annually publishes an audit manual that provides guidelines for the documentation that must be collected and reviewed in assessing compliance.

Oversight Committee. AB 1840 (Committee on Budget), Chapter 426, Statutes of 2018, established the Student Success Funding Formula Oversight Committee, which was charged to continuously evaluate and review the implementation of the funding formula. The 12 members of the committee are appointed by equally by the Administration, Senate and Assembly. The committee is charged to make recommendations by January 1, 2020, regarding the inclusion of first-generation college students, whether the definition of low-income students should be adjusted to regions of the state, and incoming students' level of academic proficiency. By June 30, 2021, the committee must provide recommendations on whether the formula should include noncredit instruction and instructional service agreements and how districts allocations would be adjusted in a recession.

Governor's Budget Proposals

Projects Higher Cost of 2018-19 Apportionments but Does Not Cover Shortfall at This Time. The Administration estimates that 2018-19 apportionments cost \$69 million more than provided for in the Governor's current budget package. The higher cost is primarily a result of the student success allocation exceeding levels assumed in the 2018-19 Budget Act. The Administration indicates it will decide whether to provide additional funding to address the apportionment shortfall in May, at which time the state will have updated estimates of both apportionment costs and General Fund revenues.

Funds COLA and Enrollment Growth. The Governor's budget includes \$248 million to cover a 3.46 percent COLA for apportionments. In addition, the budget includes \$26 million to cover 0.55 percent enrollment growth (equating to about 6,000 additional FTE students).

Postpones Scheduled Changes in Funding Formula Rates. The Administration proposes to postpone for one year the scheduled changes in the share of apportionment funding linked with the base allocation and the student success allocation. Under the Governor's proposal, the 2019-20 funding formula rates would be the same as in 2018-19, adjusted for COLA. The Administration indicates the proposal is intended to provide additional time for the Chancellor's Office to assess the reliability and quality of the student outcome data used in determining districts' funding allocations. In 2020-21, rates would change as currently scheduled, with base rates decreasing and student success rates doubling.

Caps Year-to-Year Growth in Student Success Allocation. The Governor also proposes to limit growth in a district's student success allocation such that it can increase no more than 10 percent each year. This proposal helps to constrain the total costs of the formula and limits the fiscal effects of student outcome data that is of potentially poor quality.

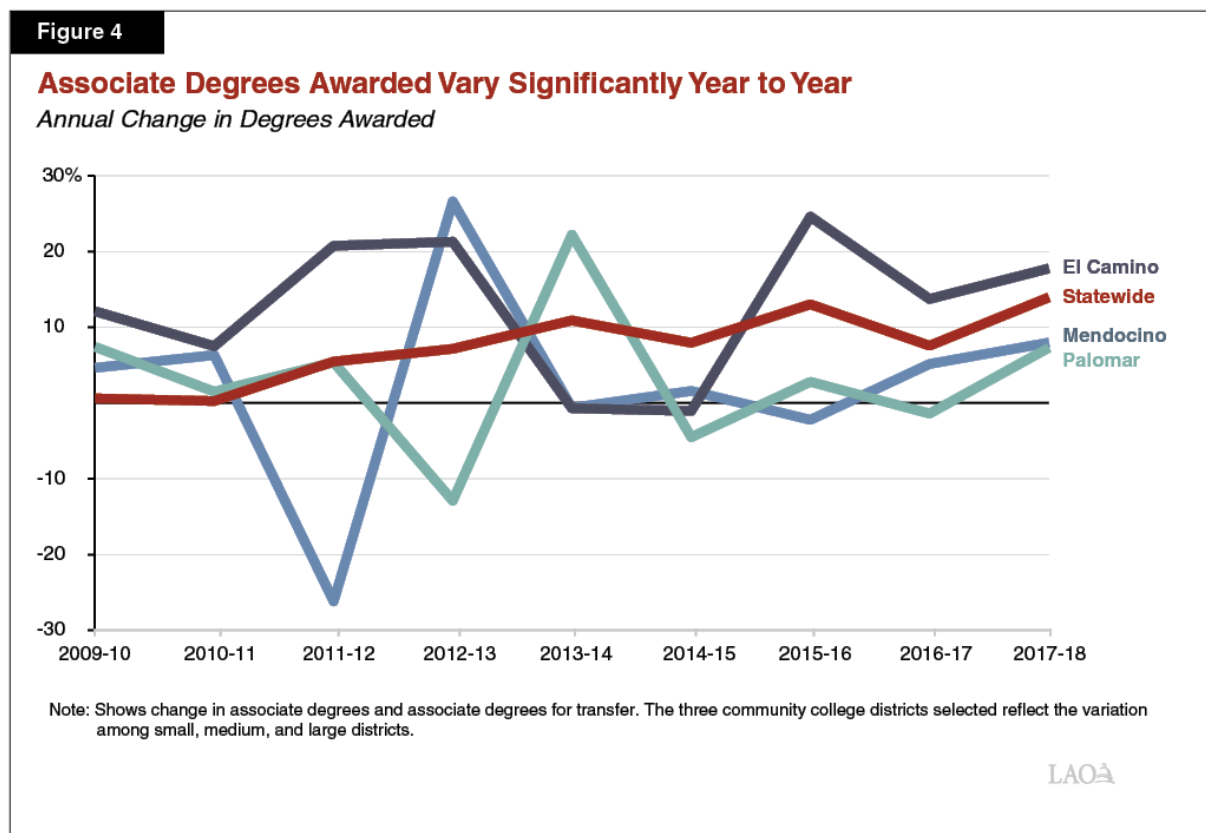
Student Centered Funding Formula Oversight Committee Operations. The Governor also proposes \$435,000 General Fund one-time for the Chancellor's Office of the California Community Colleges to support an external contract to staff the Student Centered Funding Formula Oversight Committee. This funding shall be available for encumbrance or expenditure until June 30, 2021. The 2018-19 budget did not provide the Chancellor's Office with funds to support the external contract.

Legislative Analyst's Office

Apportionment Shortfall. On the one hand, the Legislature could cover the shortfall, thereby signaling support for the new funding formula, with its emphasis on improving community college student outcomes. On the other hand, the Legislature could choose not to cover the shortfall. Were the shortfall not to be covered, current practice would result in each district having its apportionment amount prorated downward. Based on the current estimated shortfall, district apportionments would be reduced by about one percent.

Proposed Enrollment Growth Is in Line With Recent Systemwide Demand. The Governor proposes lower enrollment growth than the state has budgeted for CCC the past few years. The lower growth rate, however, is consistent with the growth districts have experienced the past few years. In 2016-17, districts used \$38 million of \$114 million budgeted for enrollment growth. In 2017-18, districts used \$32 million out of \$60 million budgeted for growth. For 2018-19, the Administration projects districts will use \$33 million of the \$60 million provided. Given these trends, the LAO thinks the \$26 million proposed by the Governor for 2019-20 is reasonable.

Student Outcome Data Can Fluctuate Year to Year. The Administration has expressed concern with anomalies in the preliminary 2017-18 student outcome data. For example, 2017-18 statewide growth in the number of associate degrees awarded was the highest reported growth rate since 2008-09. The LAO's review of historical data, however, shows student outcome data to be prone to significant year-to-year variation. The variability is particularly large when looking at individual districts.



Likely Several Causes of Data Variability. Because this data has not traditionally been audited or reviewed by external entities, the data may not be accurate or collected consistently. The degree counts

for any particular year also could be affected by administrative decisions or delays in the actual processing or reporting of degrees. (Some students who complete their coursework in May, for example, might not receive their degree until July due to processing issues.) Data also could vary by year because of differences in student cohorts, with larger incoming cohorts producing a larger set of outcomes in subsequent years. Finally, some of the changes could be due to specific local circumstances. For example, a district might see an increase in its number of transfer students if a local CSU campus were to increase its transfer admissions rate that year.

Chancellor's Office Plans to Add Auditing Guidelines for All Funding Formula Data. The 2018-19 audit manual released by the Chancellor's Office does not require auditors to review the data used to calculate the supplemental and student success allocations of the apportionments formula. The Chancellor's Office indicates it will update auditing guidelines for 2019-20 to include a review of this additional data. These new guidelines will provide the state with greater assurance that the data is being properly collected, tabulated, and reported.

Legislative Analyst's Office Recommendations.

1. Approve Governor's Proposal to Postpone Changes in Funding Formula Rates. Although postponing the changes and implementing new audit guidelines likely will help improve data quality and reliability, they LAO is concerned that accurate and reliable data might still be prone to significant year-to-year volatility.
2. Use a Three-Year Rolling Average to Distribute Student Success Allocation. This approach is similar to the approach used to smooth out enrollment funding in the base allocation. Using a rolling average would mitigate the fluctuations that might occur because of data irregularities while still creating incentives for districts to improve outcomes over the long run.
3. Consider Ways to Promote Improvements Instead of the Governor's Proposal to Cap the Student Success Allocation. The LAO recommends the Legislature explore other cost-containment options that continue to provide strong incentives for districts to make genuine improvements in student outcomes.

For example, the Legislature could limit the amount of outcomes-based funding generated by an individual student to the highest award earned in any particular year. This is similar to a suggestion from the Community College Academic Senate. Under such an approach, a student who earns an associate degree and a certificate would only generate outcomes-based funding for the associate degree. This would prevent districts from generating additional funding by encouraging associate degree students to obtain unnecessary certificates, yet still reward districts that see improvement in student completion. Targeted modifications of this type would allow the state to reduce formula costs without reducing the incentive for districts to improve outcomes for students.

Staff Comments

Apportionment Estimates. On March 14th, the Chancellor's Office released the first principal apportionment for 2018-19. The Chancellor's Office estimates a \$324 million funding shortfall, of which \$143 million is attributed to a higher base, student success and hold harmless allocation than estimated, and \$181 million lower estimates of offsetting revenues. Offsetting revenues are attributed to property taxes, education protection revenues and student fees. The Legislature will receive update

revenue estimates closer to May Revision. In managing the general apportionment within the available appropriations, the Chancellor's Office proposes to apportion to districts in 2018-19, at least the amount they received 2017-18, adjusted by 2018-19 COLA.

Chancellor's Office Plans to Conduct Review of Data Collection Processes This Spring. In addition to updating the audit manual, the Chancellor's Office entered into a contract with the Fiscal Crisis and Management Assistance Team (FCMAT) this spring to review the data collection and reporting processes of a random sample of 12 districts across the state. The goal of this review is to identify ways to improve the consistency and quality of data reported by districts. The review is expected to be completed by early May, such that its findings and recommendations could be incorporated into the final 2019-20 budget.

Advisory Workgroup. The Chancellor's Office convened an advisory workgroup to review other components of the funding formula. The workgroup will make recommendations in late April or early May to the Legislature. The workgroup is reviewing the following questions:

1. How should the three-year average of credit full-time equivalent students be calculated?
2. How should the formula count Pell Grant recipients who attend multiple colleges within the same district?
3. How should the formula account for students who reach more than one of these outcomes in a given year?
4. To which district should the outcome be attributed?
5. How might the formula consider students who complete transfer-level mathematics in one district and transfer-level English in a different district?
6. What is an appropriate timeframe for completion of the courses?
7. How might the formula consider students who complete nine or more CTE units, but do not complete nine or more CTE units in a single district?
8. Should the formula expect that students complete nine or more CTE units in a single pathway (or other similar set of courses)?
9. Are there other types of outcomes related to workforce mission of the California Community Colleges (such as "journey person status" or other outcomes related to apprenticeship) that might be considered as part of the student success allocation?
10. What is the appropriate timeline for making the determinations of whether an individual has attained a regional living wage?
11. How should regions be determined for the regional living wage?
12. Should the formula limit year-to-year growth in an allocation (i.e. student success allocation)?

Staff notes that the state provides \$20 million ongoing Proposition 98 General Fund to the Chancellor's Office Institutional Effectiveness (IEPI) to provide "regional and online workshops and trainings to community college personnel to promote statewide priorities, including strategies to improve community college operations and system leadership training to better coordinate planning and implementation of statewide initiatives." Budget bill language also notes that funding may be utilized to coordinate with community college districts to conduct policy research, and develop and disseminate effective practices through the establishment of an online clearinghouse of information. The IEPI Executive Committee, which decides which workshops to offer, receives input and advice from a number of sources, and approves regional workshops and guidance on specific learning outcomes for events. For example, recently the IEPI held workshops on incarcerated and formerly incarcerated college students and data disaggregation. The subcommittee may wish to ask how IEPI can help support standardized data collection and disseminate and implement best practices and processes.

Given the implementation issues and questions of the funding formula, as well as the estimated apportionment shortfall, the subcommittee may wish to wait until May Revision when the state has updated revenue estimates and recommendations from the advisory workgroup and FCMAT.

Staff Recommendation. Hold Open

Issue 2: Online Community College (Informational)

Panel

- Heather Hiles, Chief Executive Officer of the Online Community College

Background

AB 1809 (Committee on Budget), Chapter 33, Statutes of 2018, created the new online community college to be administered by the CCC Board of Governors. The Board of Governors is to choose the chief executive of the college. The chief executive is required to establish an advisory council consisting of local trustees from other community colleges as well as employees of the online college. In February, the Board of Trustees approved Heather Hiles as the president and chief executive officer of the online college.

The 2018 budget provided \$100 million Proposition 98 General Fund one-time for startup costs and \$20 million Proposition 98 General Fund ongoing for operations. The startup funding may be spread over a seven-year period and used for technology, building space, and business plan development, among other things.

In spring of 2018, the Department of Finance provided the committee with a breakdown of one-time start-up costs:

- \$25 million for design, development, and capital improvements for scalable technology: Support instructional technologies, personalization technologies, master data management and analytics system, financial system, and 24 hour help desk technology set up.
- \$20 million for a research and development unit: Support design and development of demonstration projects, development and implementation of virtual and mobile labs, and interactive workshops and focus groups.
- \$23 million for set up of core functions: Support design of student-centered experience and supports, faculty and staff experience and supports; staff training; quality assurance on instructional; and 24 hour supports. This funding will also establish mobile integration, development and testing of non-traditional fee models, and prior learning assessment. Lastly, the college will need to establish partnerships with entities with physical presence, establish partnerships with employers and other partners to review and inform program pathway design and delivery.
- \$16 million for scaling efforts: Support scaling efforts over the seven year start-up period, including specialized admissions and records services and financial aid services and related student support services.
- \$11 million for operations development: Development of business processes, legal support, initial and long-term staffing plan, development of responsive metrics and indicators driving student success to inform design.
- \$5 million for implementation of business plan and establishing accreditation: Supports implementation of a seven-year business plan with key milestones, indicators, and outcomes to

facilitate the college's scaling effort; supports the process of seeking and establishing accreditation.

The funding for ongoing operations is intended for the salaries and benefits of staff, staff training, and technology licensing and maintenance. When the college begins enrolling students, it is to receive apportionment funding similar to all other community college districts, with the apportionment funding coming on top of the college's base \$20 million ongoing allocation.

In spring of 2018, the Department of Finance provided the committee with a breakdown ongoing operations costs:

- \$3 million for ongoing technology related costs: Annual licensing for use of technology, website and related tools and network support, maintenance and upgrade, ongoing training.
- \$5 million for program pathways: Pathway validation and development, content development and improvements, continuous assessment of student program pathways.
- \$11 million for salaries and benefits, facilities, office equipment, supplies, travel, collaboration tools and incidentals.
- \$1 million for other professional services.

As of writing this agenda, the online college has not spent any funds.

College Intended to Focus on Short-Term Pathways. Initially, the online college is intended to focus on short-term programs for working adults who have no postsecondary credentials. Over the next three years, the college is required to develop at least three short-term program pathways linked with industry needs. These pathways may not be duplicative of programs offered at existing community colleges. In addition, for every 10 pathways offered by the online college, at least one pathway must be developed in collaboration with an existing community college. The online college also is to use existing industry certifications, competency-based learning, and prior learning assessments to reduce the amount of additional courses students need to complete their pathway.

The college is required to utilize and leverage existing community college programs and activities including Zero-Textbook-Cost Degree Grant Program, Open Educational Resources, the Strong Workforce Program, Online Education Initiative and the Guided Pathways Program framework.

Several Milestones and Reporting Requirements for College. AB 1809 required the online college to meet certain program, administrative, and accreditation milestones within the first seven years. Most notably:

1. By July 1, 2019, the college must develop a seven-year implementation plan, validate a business plan and develop three program pathways. The college must also develop an accreditation plan and create an outreach plan.
2. By the last quarter of calendar year 2019, the online community college must begin enrolling students;

3. By August 1, 2019, the college is required to report to the Legislature, on startup milestones including the number of designed program pathways;
4. By July 1, 2021, the college must design and validate at least three additional pathways program and apply for accreditation.
5. By August 1, 2021, the college is required to report a comprehensive status report on activities and outcomes;
6. By August 1, 2022 and each year thereafter, the college must report various milestones;
7. By July 1, 2023, the college must design and validate at least 13 program pathways by and enroll students into the college's program pathways;
8. By April 1, 2025, the college must obtain full accreditation;
9. By July 1, 2025, the college must enroll students into the college's program pathways, and
10. By January 1, 2026, the board of governors will contract with an independent evaluator to assess the colleges' progress.

College Exempt From a Few Requirements Applying to Other Colleges. The online college has flexibility with regard to setting its academic calendar and establishing its student fee structure. The online college, however, is subject to most other rules and regulations that apply to existing community colleges. For example, the online college is required to spend at least 50 percent of its general operating budget on salaries and benefits of faculty and instructional aides engaged in direct instruction. As with other colleges, it also is required to have its programs and courses reviewed and approved by the Chancellor's Office.

The online college is authorized to establish an affordable fee structure, that is equivalent to or less than fees charged by traditional community colleges. Students must also be eligible for fee waivers such as the College Promise Grant. The enrollment fees for online and in-class courses at the CCCs are the lowest in the country, at \$46 per unit, and have not changed since 2012-13. During budget deliberations, the Chancellor's Office indicated that this new fee structure could be an experimental, subscription-based flat rate for a set time period (or academic term). Prior to establishing the fee structure the college must notify the Legislature and the Department of Finance 60 days before the effective date of the structure.

Competitive Grants for Existing Colleges to Develop New Online Programs. The 2018 budget provided \$35 million Proposition 98 General Fund one-time for existing community college districts to develop online programs and courses that (1) lead to short-term industry-valued credentials or (2) enable a student who completed a program at the online community college to continue his or her education at an existing community college. The Online Education Initiative (OEI), administered by Foothill-De Anza Community College District, is to award these grants. OEI is required to submit a report to the Legislature by April 1, 2020, regarding outcomes related to the grant. The grant is hosted on the California Virtual Campus website. Applications for the grant are due on May 1, 2019, and awardees will be notified on May 31, 2019. The Chancellor's Office notes that 100 of colleges issued letters of intent to apply for the grant. Grants may range in size from tens of thousands of dollars up to several hundred thousand dollars; however, they may not exceed \$500,000 per college/district.

Requires Chancellor's Office to Make Recommendations for Providing Existing Colleges More Flexibility. AB 1809 required the Chancellor's Office, by January 1, 2019, to recommend to the Board of Governors ways of making online and competency-based programs easier and more attractive for colleges to develop and operate. The Chancellor's Office recommendations must include ways to streamline the processes for (1) funding noncredit competency-based programs, and (2) offering online courses under a flexible calendar. As of writing this agenda, the Chancellor's Office has not made recommendations.

Program Pathways. The first three program pathways that the online college plans to implement are medical coding, informational technology support and first line supervisor in multiple industries. The medical coding program will be in partnership with Service International Employees Union (SEIU) United Health Workers West (UHW).

Administration. AB 1809 authorized the board of governors to contract with the Foundation for Community Colleges for the purpose of providing administrative support for the online college's start-up functions. On September 18, 2018, the board of trustees approved two contracts between the district and Foundation. The first contract was for administrative services agreement, where the Foundation would be compensated for allocable costs, direct costs, and indirect costs (per the contract is 10 percent of direct costs, to cover overhead rent, utilities, etc.). The second contract is the fiscal agency agreement, where \$10 million Proposition 98 General Fund is transferred to the Foundation. The purpose of this transfer is to provide funds to the district, through accounts established on its behalf by the Foundation.

Executive Search. AB 1809 requires the college to be subject to the same competitive bidding and state contracting requirements that apply to community college districts. On March 18, 2019, the board of trustees approved a no bid contract with the Leadership Group, Inc. to recruit six executive positions, with a maximum cap of \$92,000 per each individual search, or up to \$552,000. On April 8, 2019, the Board of Governor's heard an item to reduce the contract to \$376,000.

The subcommittee may wish to ask:

1. What is the status of the Chancellor's Office recommendations regarding funding noncredit competency-based programs and offering online courses under a flexible calendar?
2. How many students does the college anticipate enrolling in last quarter of calendar year 2019? What type of fee structures is the college exploring?
3. How has the college engaged with faculty, and what role have they had in the startup process?

Staff Recommendation. This is an informational item.

Issue 3: Community College Affordability

Panel

- Michelle Nguyen, Department of Finance
- Lisa Qing, Legislative Analyst's Office
- Christian Osmena, Community College Chancellor's Office

Background

Fee Waivers for CCC Students With Financial Need. When the Legislature introduced a CCC enrollment fee in 1984, it created the BOG fee waiver program. This program waives enrollment fees—currently \$46 per unit—for students who have some financial need. (Financial need is defined as the difference between the total cost of attendance and the amount a student's family can contribute toward that cost, as calculated by a federal formula.) Students apply for a fee waiver by completing either the Free Application for Federal Student Aid (FAFSA) or a shorter form developed by the Chancellor's Office. Students may receive this fee waiver for any number of units taken. In 2017-18, 41 percent of CCC students—representing almost two-thirds of units taken—had their enrollment fees fully waived through this program.

Full-Time Student Success Grant. The 2015 Budget Act established the Full-Time Student Success Grant, which provided additional financial aid to students receiving the Cal Grant B Access Award and are taking 12 or more units. The 2015 budget provided \$39 million Proposition 98 Fund ongoing for this purpose. In 2016, the budget increased the program by \$2.2 million Proposition 98 General Fund ongoing to include Cal Grant C students in the program. The 2017 budget provided an increase of \$25 million Proposition 98 General Fund ongoing for the Full-Time Student Success Grant. The total funding for the program in 2017 was \$66.2 million Proposition 98 General Fund ongoing. In 2017, approximately 83,400 students received awards totaling \$66.35 million. The 2018 budget subsumed this program into the Student Success Completion Grant described below.

Community College Completion Grant Program. The 2017-18 budget established the Community College Completion Grant Program and provided \$25 million Proposition 98 General ongoing to provide additional aid to Cal Grant B or C students who are on-track to complete their degree. Students must demonstrate financial aid, and enroll in sufficient number of units to be considered on track to complete, as specified. Eligible students would receive an award of \$2,000 annually, and the award cannot supplant other grant, fee waiver or scholarship aid. Based on 2017 data, approximately 11,664 students received an award, totaling \$12 million. The 2018 budget subsumed this program into the Student Success Completion Grant described below.

CCC Student Success Completion Grant. The 2018-19 budget created the CCC Student Success Completion Grant by combining the Community College Completion Grant and the Full-Time Student Success Grant. The new financial aid grant program provides eligible Cal Grant B or C community college students with an additional \$649 per semester or quarter equivalent for enrolling in 12-14 units, and provides \$2,000 per semester or quarter for students enrolled in 15 or more units. Students must maintain satisfactory academic progress. AB 1809 requires the Chancellor's Office to report by April 1, 2020 on student and award data regarding the 2018-19 award year. The Governor proposes \$142.8 million Proposition 98 General Fund for this purpose. Data regarding this program will be available late April.

California College Promise program. AB 19 (Santiago), Chapter 735, Statutes of 2017 created the California College Promise program. The state provided \$46 million Proposition 98 General Fund ongoing for the program in 2018-19, the first year it was funded. Colleges are permitted—but not required—to use these funds to provide fee waivers to first-time, full-time students without financial need during their first year of college. To be eligible for these waivers, students must have no prior postsecondary coursework, enroll in 12 or more units per semester, and submit a FAFSA. Under the program, colleges also are permitted to use their College Promise funds for a broad range of other purposes, such as providing supplemental services to students.

AB 19 requires colleges to meet six requirements to receive college promise funds. Specifically:

1. Partner with school districts on college outreach efforts.
2. Partner with school districts to support practices that improve college readiness and reduce the need for remediation.
3. Use evidence based practices for the assessment and placement of incoming students.
4. Implement Guided Pathways to help students enter and stay on a defined academic path.
5. Ensure students complete the FAFSA or California Dream Act Application.
6. Participate in federal student loan program.

In 2018-19, 105 colleges met all six requirements and are, in turn, receiving College Promise funds. Nine colleges have opted out of the program, primarily out of concern that offering federal student loans will increase their cohort default rates. In order for colleges to remain eligible for federal financial aid, including the Pell Grant program, colleges must maintain cohort default rates below a certain threshold to.

Some Colleges Are Using Funds for Purposes Other Than Fee Waivers. The Chancellor's Office allocates College Promise funds primarily based on the estimated number of students at each college who are eligible for fee waivers under this program. According to the Chancellor's Office, 85 of the 105 colleges receiving College Promise funds are using some or all of their funds to provide fee waivers to first-time, full-time students without financial need. The remaining colleges are using the funds for other purposes. Examples of other uses include book stipends for financially needy students and additional financial aid staff positions. The Chancellor's Office indicates that some colleges are opting to use College Promise funds for other purposes because they already had local programs waiving fees for students without financial need.

Mount San Antonio College, a recipient of AB 19 funds, found that if they used AB 19 funds to provide fee waivers, the typical student who would receive a fee waiver was a white, male teenager from the upper-middle-class town of Diamond Bar. Instead, Mount San Antonio College used AB 19 funds to offer first-time, full-time students with at least a 2.0 GPA free bus passes, book grants of up to \$250 per semester, and food cards that can be used to buy meals on campus. Similarly, Las Positas College, in the San Francisco Bay Area, used AB 19 funds to provide students with up to \$500 per semester to buy textbooks. Las Positas College also used AB 19 funds to hire additional financial aid counselors to help students apply for other forms of aid.

Financial Aid Outreach. There are a variety of state financial aid campaigns that the conduct outreach to prospective students and families, as well as provide professional development to college and high school counselors.

- I Can Afford College Campaign. According to the website, the I Can Afford College Campaign is a “statewide, financial aid awareness initiative sponsored by the CCC.” The campaign started in 2004 and produces campaign materials, flyers, post cards, posters, as well as a website to inform students about financial aid opportunities, such as the Board of Governors Fee Waiver. Approximately \$5.3 million Proposition 98 General Fund ongoing is provided for the campaign.
- Career Education. Statute permits the Chancellor’s Office to set aside up to five percent or \$12.4 million Proposition 98 General Fund ongoing from the Strong Workforce Program to support statewide coordination activities for career technical education (CTE). The Chancellor’s Office uses \$3 million Proposition 98 General Fund of this funding for outreach activities.
- A Degree with a Guarantee. Statute permits the Chancellor’s Office to set aside up to five percent or \$23.8 million of the Student Equity and Achievement Program (SEAP) funds each year for state administrative operations relating to student outcomes. The Chancellor’s Office has chosen to use \$2 million of this amount each year for this campaign.
- The state also currently provides \$35.2 million Proposition 98 General Fund ongoing for campuses to provide direct contact with potential and current financial aid applicants. Funds are distributed based on FTES weighted by participation in the BOG Fee Waiver. Each campus receives a minimum allocation of \$50,000.

For each campaign, the Chancellor’s Office chooses a district to serve as a fiscal agent. At the direction of the Chancellor’s Office, the district contracts with an external marketing and communications firm. The Chancellor’s Office works closely with the selected firm to develop campaign strategies and messaging.

The state also provides \$7.9 million ongoing General Fund to the California Student Aid Commission to support 14 California Student Opportunity and Access Program (Cal-SOAP) intersegmental consortia throughout the state. Cal-SOAP provides financial aid outreach and tutoring services to low-income K-12 students and informs them about opportunities in postsecondary education or career technical education. Current Cal-SOAP projects include: Central Coast (Santa Maria), Central Valley (San Joaquin), East Bay (Oakland and Richmond), Long Beach, Los Angeles, Merced, Northcoast (Eureka), Sacramento, San Diego/Imperial, San Francisco, San Jose, Santa Barbara, South County Gilroy, South San Joaquin, and Solano.

Additionally, the state provides \$328,000 General Fund ongoing for the Cash for College Program, which provides financial aid workshops to assist low-income students with completing the FAFSA and the Cal Grant grade point average verification form.

Governor’s Budget Proposal

Governor Proposes \$40 Million Proposition 98 General Fund Ongoing for College Promise Expansion. The Governor proposes to augment funding for the program based on the estimated cost of waiving enrollment fees for first-time, full-time CCC students in their first two years of college who do not have financial need under the BOG fee waiver program.

Under the Governor’s proposal, total ongoing funding for the program would be \$80 million Proposition 98 General Fund ongoing. Though the 2018-19 Budget Act included \$46 million Proposition 98 General Fund ongoing for the College Promise program, the Administration now estimates that first-year fee waivers cost only \$40 million Proposition 98 General Fund—the same as its estimated cost for second-year fee waivers. Consistent with the existing design of the program, colleges could use their additional College Promise funds to waive enrollment fees for qualifying students or for other purposes, such as student support services. The proposal does not change the six requirements colleges must meet to receive funds under this program.

Governor Proposes \$5 million One-Time General Fund for Student Success Awareness Team. The Administration also proposes \$5 million General Fund one-time for the Chancellor’s Office to create a Student Success Awareness Team to support colleges in communicating with students information about the California College Promise, college costs, and career and transfer pathways. The Student Success Awareness Team will be responsible for researching and identifying information needs, developing resources and content that can be used locally, providing professional development to practitioners, and fully integrating the separate CCC campaigns and websites. This funding shall be available for encumbrance or expenditure until June 30, 2022.

Legislative Analyst’s Office Comments

Colleges Have Other Stronger Fiscal Incentives to Improve Student Support. The College Promise program was designed to create a financial incentive for colleges to adopt six student support practices. Since creating the program, the Legislature has adopted other reforms that provide more explicit requirements and stronger financial incentives for colleges to improve student support. AB 705 (Irwin), Chapter 745, Statutes of 2017, requires colleges to use multiple measures to determine whether incoming students can be placed into transfer level coursework—one of the six practices required under the College Promise program. The Student Equity and Achievement Program (SEAP), a \$475 million Proposition 98 General Fund ongoing block grant created in 2018-19, requires colleges to adopt practices that overlap with two of the College Promise program requirements. SEAP combined two categorical programs, the Student Success and Support Programs (SSSP), which focused on matriculation, counseling, assessment and orientation, and the Student Equity Program, which provided services to student groups with achievement gaps identified in a college’s equity plan. The 2018-19 budget package also created a new funding formula, described in an earlier item that bases a portion of a college’s general-purpose apportionments on student outcomes. Together, these recent reforms create incentives that are similar to—and considerably larger than—those created under the College Promise program.

Reject Governor’s Proposal to Increase Funding for College Promise Program. The LAO recommends rejecting the proposal because: (1) it is too soon for the Legislature to evaluate the current College Promise program, (2) the program primarily benefits students without financial need, and (3) colleges now have stronger incentives to provide student support and improve student outcomes. Rejecting the proposal would free up a like amount of funding for other Proposition 98 priorities.

Staff Comments

As noted above, in 2017-18, 41 percent of CCC students —representing almost two-thirds of units taken—had their enrollment fees fully waived through the BOG Fee Waiver program. Tuition at the CCC is the lowest in the nation, and comprises at most, 10 percent of total college costs.

Living expenses such as food and housing, transportation and other personal expenses make up the majority of undergraduate student expenses. The chart bellow illustrates the average costs of students living in an apartment off campus in the San Diego area:

College Costs for a Student Living Off-Campus

2018-19 Undergraduate Student Budget	San Diego Mesa College
Tuition and Fees	\$1,144
Housing and Food	\$13,779
Books and Supplies	\$1,917
Transportation/ Other Expenses	\$4,248
Total Costs	\$21,088
Tuition/ Fees Percent of Total Costs	5.43%

Staff notes that not all community colleges post on their website the estimated total cost of attendance.

Financial Aid Outreach. Currently, the Chancellor's Office devotes a portion of categorical set aside funds to resource outreach and awareness, with the remainder to support statewide and administrative activities. The Chancellor's Office notes that using existing funds to pay for these upfront costs associated with the Governor's proposal would divert resources away from the current student outreach efforts during the transition process. The Chancellor's Office plans to utilize some of the \$5 million one-time General Fund to provide professional development, research and development on the issues and develop material. As noted in the item regarding the Student Centered Funding Formula, the Institutional Effectiveness (IEPI) is a statewide collaborative effort to help advance the effective practices, the subcommittee may wish to consider whether IEPI could help in creating a standardized approach.

Student Support Services Programs. Through various categorical programs, such as Extended Opportunity Programs and Services (EOPS), Cooperative Agencies Resources for Education Program (CARE), CalWORKs program, Puente Program, NextUp Program (also known as Cooperating Agencies Foster Youth Educational Support), Disabled Student Support Services and Programs, and the Mathematics Engineering, Science Achievement (MESA) Program, community colleges provide additional support services and aid, such as book and transportation vouchers, academic counseling and childcare services to eligible low-income, first-generation college, foster youth or students with disabilities.

In addition to these categorical programs, community colleges may also SEAP funds, totaling \$475 million ongoing Proposition 98 General Fund, to support the aforementioned categorical programs. While the core of SEAP funding is used to support matriculation and counseling services, it is unclear how colleges have spent SEAP funds and how they have supported other equity categorical programs.

Education Code 78222 requires districts to report to the Chancellor's Office to report by January 1 of each year on how SEAP funding was expended and an assessment of progress in advancing various student success goals. Statute also requires the Chancellor's Office to report to the Legislature by April 1 of each year, a systemwide report summarizing the district reports. As of writing this agenda, staff has not received this report.

The Legislature may wish to consider how to prioritize financial aid for community college students. For example, given limited resources, should financial aid prioritize students with the financial greatest need, or should it prioritize tuition expenses.

Staff Recommendation. Hold Open

Issue 4: Facilities

Panel

- Randall Katz, Department of Finance
- Edgar Cabral, Legislative Analyst's Office
- Christian Osmeña, Chancellor's Office

Background

State Funds Community College Facilities Through General Obligation Bonds. The state typically issues general obligation bonds to cover a portion of the cost of community college facility projects. A majority of voters must approve these bonds. From 1998 through 2006, voters approved four facility bonds that provided a total of \$4 billion for community college facilities. Virtually no funding remains from these facility bonds.

New State Bond Approved in 2016. After a ten-year gap, voters approved Proposition 51 in November 2016. The measure authorizes the state to sell \$2 billion in general obligation bonds for community college projects. The funds may be used for an array of CCC projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment.

Community College Districts Raise Local Funding for Facilities. The bulk of community college facility costs are covered with local funds. Districts typically sell local general obligation bonds to raise this support. Districts currently must get at least 55 percent of their voters to approve the sale of these local bonds. Since 1998 (when the voting threshold for local facility bonds was reduced from two-thirds), community college districts have sold \$26 billion in local general obligation bonds for facility projects.

Community College Facility Projects Ranked by Chancellor's Office and Reviewed by the State. To receive state bond funding, community college districts must submit project proposals to the Chancellor's Office. The chancellor's office reviews each project based on the age of the building, enrollment growth, existing inventory, project design, assignable square footage change and local contribution. The Chancellor's Office ranks all submitted facility projects using prioritization criteria adopted by the Board of Governors. Projects are prioritized in the following order:

1. Life safety projects, projects to address seismic deficiencies or risks, and infrastructure projects (such as utility systems) at risk of failure.
2. Projects to increase instructional capacity.
3. Projects to modernize instructional space.
4. Projects to complete campus build-outs.
5. Projects that house institutional support services.

Within these categories, projects with a local contribution receive greater consideration. After ranking the projects, the Chancellor's Office submits capital outlay project proposals to the Legislature and Governor in the fall. The projects are reviewed as part of the annual state budget process.

Review Process Works Somewhat Differently for Life Safety Projects. To be approved in the highest-priority category under the Chancellor's Office process, a district must (1) have a third party entity identify the facility as an imminent danger to the occupants, and (2) submit a project scope that is

the least costly option for permanently addressing the problem. A project to address immediate electrical safety issues, for example, could not include renovations related to other building issues.

Almost Two Dozen Proposition 51 Projects Already Approved, Many More Recommended by Chancellor's Office. To date, the state has approved 21 Proposition 51-funded community college projects. The total state cost for all phases of these projects is estimated to be \$587 million. For 2019-20, the Chancellor's Office is recommending 39 additional projects. Of the 39 projects, six projects were proposed last year but not funded. The remaining 34 projects were newly approved by the Chancellor's Office in fall 2018. Of the projects, the Chancellor's Office ranked three in the highest-priority category, 15 in the second highest-priority category, 15 in the third category, and six in the fourth category. The projects are estimated to have total state costs of \$689 million.

Governor's Budget Proposals

Governor Proposes Funding 12 New CCC Projects for 2019-20. The Administration proposes \$18 million Proposition 51 funds to fund 12 of the 39 projects submitted by the Chancellor's Office. The funding would cover the cost of preliminary plans and working drawings. Total state costs for all phases of the projects, including construction, are estimated to be \$254 million. Of the 12 projects, one is in the Chancellor's Office's highest-priority category, three are in the second priority category, five are in the third priority category, and three are in the fourth category. The Administration indicates it funded all projects that address life safety issues and include substantial local matches. For two projects with little or no local match, the Administration indicates it included the projects because the districts demonstrated financial hardship. The chart on the following page outlines the 12 projects that the Governor proposes to approve.

Governor Proposes to Fund 12 New CCC Capital Outlay Projects
(In millions)

College	Project	2019-20 State Cost	All Years	
			State Cost	Total Cost ^a
San Bernardino	Technology replacement building	\$2.3	\$34.4	\$75.7
Redwoods	Physical education replacement building	5.4	60.7	60.7
American River	Technology replacement building	1.3	30	58
Saddleback	New Gateway Building	1.719	26.1	52.3
Alameda	Auto and diesel technologies replacement building	1.2	17	33.7
Los Angeles City	Theater arts replacement building	1.1	15.2	30.1
Merced	New agricultural science and industrial technologies complex	0.4	13	25.6
Santa Monica	Art replacement complex	0.8	11	21.5
Rio Hondo	Music/Wray theater renovation	0.9	9.9	20.5
Sequoias	Basic skills replacement center	1.4	15.7	17.4
Fresno	Child development replacement center	1	13.5	16.9
Butte	Technology building renovation	0.5	8.1	10.7
Totals		\$18.1	\$254.3	\$422.9
^a Community college districts typically issue local general obligation bonds to pay for a share of project costs.				

Governor Supports Next Phase of 15 Previously Approved Projects. The Governor's budget also includes \$341 million in Proposition 51 funds for the construction phase of 15 projects that were initially approved in 2017-18 or 2018-19.

State Would Support 15 Continuing CCC Capital Outlay Projects
(In millions)

College	Project	2019-20 State Cost	All Years	
			State Cost	Total Cost ^a
Santa Monica	Science and mathematics building addition	\$37.0	\$39.6	\$78.1
Laney	Learning resource replacement center	22.8	24.4	75.7
Mount San Antonio	New physical education complex	53.9	57.5	72.2
Santa Rosa	Science and mathematics replacement building	30.8	33.1	65.6
Orange Coast	Language arts and social sciences replacement building	28.3	30.4	59.8
Allan Hancock	Fine arts replacement complex	22.9	24.5	48.3
Golden West	Language arts replacement complex	21.9	23.5	46.5
West Hills (North District Center)	New library and instructional facility	40.3	42.4	43.3
Santa Ana	Russell Hall replacement	19.2	20.7	40.9
Solano	Library replacement building	17.4	20.2	39.7
Compton	Instructional replacement building	14.9	16.2	24.9
Mission	Portables replacement	10.1	10.8	21.5
Merritt	New child development center	5.7	6.1	20.0
Imperial	Academic buildings renovation	8.7	9.0	17.7
Long Beach (Pacific Coast Campus)	Construction trades building renovation, phase 1	6.7	7.3	13.1
Totals		\$340.7	\$365.8	\$667.5
^a Community college districts typically issue local general obligation bonds to pay for a share of project costs.				

April Letters. The Governor provides approval of three new capital outlay projects through the April Letters process.

April Letters Approved CCC Capital Outlay Projects
(In millions)

College	Project	2019-20 State Cost	All Years	
			State Cost	Total Cost ^a
Skyline	Workforce and Economic Development Center renovation	1.2	14.6	28.8
Cañada College	Building 13- Multiple Program Instructional Center renovation	0.8	9.7	17.3
College of the Canyons	Modernize Boykin Hall academic building	0.4	4.9	9.5
Totals		2.4	29.2	55.6
^a Community college districts typically issue local general obligation bonds to pay for a share of project costs.				

Rio Hondo College. The Governor also proposes an increase of \$132,000 Proposition 51 for the preliminary plans and working drawings phases of the Rio Hondo CCD, Rio Hondo College Music/Wray Theater Renovation project, which the Governor proposed to fund in January.

The April Letter also requests reappropriation of funds for three projects:

1. **San Francisco CCD, Ocean Campus – Utility Infrastructure Replacement Project.** This project was delayed by several months due to district cash flow problems and because the district had to replace key personnel in Finance and Administrative Services. These positions have been filled and the district is using its General Fund to cover project operating cash. The Administration requests reappropriation of \$2.4 million Proposition 51 for the working drawings phase of the project. The total cost of the project is \$81.9 million Proposition 51.
2. **Peralta Community College District, Laney College – Learning Resource Center.** The project received \$1.6 million Proposition 51 in 2018 for the preliminary plans and working drawings phases. Peralta CCD encountered delays in executing contracts for the design of this project. The Administration requests reappropriation of \$0.8 million Proposition 51 for the working drawings phase of the project.
3. **Peralta Community College District, Merritt College – Child Development Center.** The project received \$436,000 Proposition 51 in 2018 for the preliminary plans and working drawings phases, of which only the preliminary plans has been encumbered. Due to challenges with the contracting process, the Administration requests reappropriation of \$0.23 million Proposition 51 for the working drawings phase of the project.

Governor Postpones Additional Funding for Five Previously Approved Projects. For five projects that previously received funding for preliminary plans and working drawings, the Administration proposes postponing construction funding.

Five Previously Approved Projects Not Receiving Construction Funding in 2019-20
(In millions)

College	Project	Year Initially Approved	Estimated Construction Cost	
			State	Total
San Francisco (Ocean)	Utility infrastructure replacement ^a	2017-18	\$76.3	\$76.3
Pasadena City	Armen Sarafian building seismic replacement ^b	2017-18	53.5	55.5
Redwoods	Arts building replacement ^c	2018-19	22.2	22.2
Fullerton	Business 300 and Humanities 500 Renovation ^c	2017-18	15.7	30.1
San Francisco (Alemany Center)	Seismic and code renovations ^a	2017-18	14.4	14.4
^a Both project delays and insufficient local match. ^b Insufficient local match. ^c Project delays. For Redwoods project, district demonstrated financial hardship and no local match is expected.				

Legislative Analyst's Office Comments

The state still is on a somewhat slow track to expend all Proposition 51 bond funds. Accounting for all phases of all projects to date (including the 12 proposed projects), the state would have committed \$668 million of the \$2 billion authorized by Proposition 51. (This amount excludes construction funding for the postponed projects.) At this pace, the state would be on track to exhaust Proposition 51 bond funding in about nine years (by 2025-26). Given the amount of projects approved by the Chancellor's Office, this somewhat slow pace is driven by state-level decisions, not lack of demand from community colleges. The chart on the following page outlines 24 other Chancellor's Office approved projects that were not approved by the Administration.

Chancellor's Office Approved Projects Not Approved by the Administration
(dollars in millions)

College	Project	Priority Category ^a	2019-20 State Cost ^b	All Years	
				State Cost	Total Cost
Folsom Lake	Instructional buildings phase 2	2	\$1.3	\$31.4	\$58.5
Mount San Jacinto	Math and Sciences building	2	1.6	26.8	50.7
Clovis	Applied Technology building	2	1.8	26.1	49.9
Irvine Valley	Fine arts building	2	1.6	23.2	45.1
Long Beach City	Music/theatre complex	2	1.7	23.2	44.6
Mount San Jacinto	Science and Technology building	2	1.9	23.2	44.1
Santa Barbara City	Physical education replacement	1	3.2	41.1	41.9
West Valley	Learning resource center renovation	3	1.6	19.9	40.1
Los Rios (Natomas Education Center)	Natomas Center phases 2 and 3	2	0.9	27.8	39.4
Woodland	Performing arts facility	4	1.4	19.4	37.7
West Hills Lemoore	Instructional Center phase 1	2	1.6	23.4	31.7
Kern (Delano Center)	LRC multipurpose building	2	1.2	16.1	31.2
Laney	Theater buildings renovation	3	0.7	8.2	26.5
Chaffey	Instructional Building 1	2	1.0	13.0	26.1
Cerritos	Health Sciences Building 26 renovation	3	1.1	12.7	24.7
Merritt	Horticulture building replacement	3	0.8	10.1	24.5
Lake Tahoe	RFE and Science renovation	3	1.5	11.1	21.6
Porterville	Allied health building	2	0.8	10.9	20.8
Monterey Peninsula	Public safety center phase 1	4	0.7	9.2	19.1
Los Rios (Elk Grove Center)	Elk Grove Center phase 2	2	0.4	9.0	17.0
Reedley	New child development center	4	0.8	10.4	14.4
Cabrillo	Buildings 500, 600 and 1600 renovation	3	0.3	3.6	7.3
Monterey Peninsula	Music facilities phase 1 renovation	3	0.2	2.5	6.4
San Mateo	Water supply tank replacement	1	0.5	5.7	6.3
Totals			\$30.3	\$434.9	\$789.6

Different Approaches to Life Safety Issues Is Creating Confusion for Districts. Although the Chancellor's Office has a specific process for addressing life safety issues, the Administration has its own approach. The Administration reviews every project approved by the Chancellor's Office and prioritizes those that appear to be addressing life safety issues, even if life safety is not the primary reason for the project. In contrast, the Chancellor's Office may deem a project higher priority because it addresses a lack of instructional capacity, even if no life safety issues are involved. Inconsistency in how the two agencies are reviewing projects is resulting in confusion for districts, as their projects are effectively being subjected to two competing standards.

Unclear if Prioritizing Life Safety Is the Right Approach for Community Colleges. The Administration's approach to prioritizing community college projects is consistent with the approach generally used for state-owned buildings, where the state is directly responsible for safety. This approach, however, might not be the right approach within the context of community college facilities. Community college districts are the ones directly responsible for any life safety issues related to their facilities. Additionally, the Administration's approach can reward districts that have done a poor job maintaining their facilities. For example, if two districts submit requests to modernize buildings that are of the same age, the Administration's approach prioritizes the project that has a life safety issue. The life safety issue, however, could be the result of poor district maintenance practices. The Chancellor's Office approach, which requires third-party review and limits the scope of life safety projects, does not create these poor incentives to the same degree.

Consider Approving Additional CCC Projects. Given the somewhat slow pace of project approvals and the LAO's concerns with the Administration's rationale for which projects it has included in its budget, the Legislature may want to consider approving more projects than the Governor. In choosing which projects to fund, the Legislature could evaluate the projects based on the Chancellor's Office priority categories or work with the Chancellor's Office and administration to develop another set of clear, agreed-upon criteria.

Explore Better Ways to Address Life Safety Concerns. The LAO recommends directing the Administration and the Chancellor's Office to develop one agreed-upon framework for how life safety issues should be considered in the review of community college projects. If the Administration and Chancellor's Office cannot come to an agreement, the LAO recommends the Legislature codify an approach in statute. The LAO believes the framework should ensure state funding is available in case of a facility emergency but also have strong incentives for districts to maintain their facilities in good condition. Additionally, the LAO thinks the framework should ensure districts provide a local contribution based on their local resources. Creating one set of rules will simplify the process, clarify expectations for districts, and help the state more thoughtfully prioritize among projects.

Staff Comments

The Chancellor's Office is currently reviewing their capital outlay prioritization process. Through they are not in the formal consultation process, the Chancellor's Office indicates that they are seeking to align the approval process to the Vision for Success, such as the number of low-income and English Second Language students that the college serves, and aims to begin the transition with 2020-21 capital outlay requests. The subcommittee may wish to ask for additional details regarding this change, and whether this will create more confusion in the field regarding the different prioritization between the Chancellor's Office and the Administration.

Staff Recommendation. Hold Open.

Issue 5: Basic Needs and Mental Health (Informational)

Panel

- Christian Osmena, Community College Chancellor's Office
- Colleen Ganley, Community College Chancellor's Office

Background

Basic Needs. The 2017-18 budget provided \$2.5 million Proposition 98 General Fund one-time for community colleges to establish "hunger free campuses." Senate Bill 85 (Committee on Budget and Fiscal Review), Chapter 23, Statutes of 2017, specified that these campuses must have: (1) a designated campus employee to provide students information on how to enroll in CalFresh, and (2) an on-campus food pantry or regular food distributions on campus.

The 2018-19 budget also provided \$10 million to address student hunger and basic needs. The budget required the Chancellor's Office to submit the report to the Legislature by February 15, 2019 regarding:

1. The hours of operation for any on-campus food pantry and the unduplicated count of the number of people served.
2. List of local community-based partners;
3. The unduplicated number of donated on-campus meal sharing program, and those who received a donated meal;
4. List of on-campus restaurants or qualifying food vendors that have been approved to participate in the CalFresh Restaurant Meals Program (RMP);
5. List of on-campus point of sale (POS) locations that accept electronic benefit transfer (EBT) payments;
6. The estimated unduplicated count of the number of students assisted with a CalFresh application;
7. The number of staff serving the campus with informed CalFresh referral and information or other anti-hunger services, among others.

On March 11, 2019, the Chancellor's Office reports that 109 community colleges had a food pantry or food distribution on campus and 60 colleges had partnerships with county CalFresh staff, outside philanthropic organizations, and community collaborations. The report found that 73 colleges are actively providing information about CalFresh to students.

In March 2019, the Chancellor's Office partnered with the Hope Center to conduct a survey of basic needs security among college students. Approximately 40,000 students across 57 community colleges participated in the survey. The survey found that 50 percent of respondents were food insecure in the prior 30 days, and 60 percent of respondents reported being housing insecure and 19 percent of respondents reported being homeless in the previous year. The survey found that 22 percent of food insecure students received SNAP benefits and eight person of students who experienced homelessness received housing assistance. However, it is unclear what the root causes of student hunger and homelessness are, such as issues with financial aid processing or distribution, or eligibility requirements for public benefits.

Mental Health Services. Education Code 76355 specifies that the maximum student health fee that community colleges may charge is \$21 per semester. Services and fee for services vary across campuses, for example at Riverside City College services include:

- Physician diagnosis and treatment for short-term,
- Low-cost physical exams at \$25,
- Immunizations and tuberculosis testing,
- Women's health screening,
- Personal counseling and substance abuse information and counseling,
- Community referrals,
- Free over-the-counter medications and low-cost prescriptions- such as antibiotics,
- First aid and emergency care, and
- Free family planning for eligible students.

There is no fee for the office visits however, a small fee may be charged for in-office lab tests, prescription medicines and immunizations. The Chancellor's Office notes that prior to the budget augmentations provided below, approximately 90 colleges offered direct mental health counseling services.

The 2017-18 budget provided \$4.5 million Proposition 98 General Fund one-time to support mental health services and training at community colleges. Senate Bill 85 (Committee on Budget and Fiscal Review), Chapter 23, Statutes of 2017, specified that funds may be used to expand and not supplant mental health services, provide training and develop stronger relationships with the county behavioral health department and community-based mental health services for which reimbursement is available through the students' health coverage. SB 85 also specified that the funds may also be provided to a community college district to provide training to community colleges throughout the state regarding prevention and early intervention in the treatment of mental health conditions, suicide prevention, and mental health stigma. SB 85 requires the Chancellor's Office to submit a report to the Legislature by May 1, 2018 on the use of these funds, including:

1. The types of activities supported by the funds, including services and training being offered and the number of students being served or trained.
2. Data related to the evaluation of the training or services, if available.
3. Recommendations for the expansion of the programs, training, or services supported by the grant funds.

As of writing this agenda, the Chancellor's Office has not released a report. The Chancellor's Office indicates that 15 colleges received competitive awards ranging from \$250,000 to \$350,000. Colleges were also required to provide matching funds for the award. The Chancellor's Office will receive preliminary reports on how colleges spent funds in July.

The 2018-19 budget provided \$10 million Proposition 98 General Fund one-time for the same purpose. The Chancellor's Office distributed funding through standard apportionment processes and the amount each college is eligible to receive is based on total student enrollment. AB 1809 requires the Chancellor's Office to report by March 1, 2019 on the use of these funds. As of writing this agenda, this report is not available.

The Governor's budget does not propose additional funds to address basic needs or provide mental health services to community colleges. Should the Legislature wish to provide additional funds for this

purpose, additional information is needed as to how investments were spent previously and associated outcomes data. The subcommittee may wish to ask how many campuses provide mental health services, the average wait-time for students to see a provider, what the vacancy rates are at colleges, and if the student health fee or state investments were sufficient in addressing student mental health needs. Additionally, the Legislature may wish to request the Chancellor's Office provide updated information the 2018-19 state investment in basic needs and its impact such as how many unduplicated students were served by on-campus food pantries and number of students colleges helped apply for CalFresh.

Staff Recommendation. None. This item is informational.

Issue 6: CCC Strong Workforce Program

Panel

- Lisa Qing, Legislative Analyst's Office
- Michelle Nguyen, Department of Finance
- Matt Roberts, California Community College Chancellor's Office
- Christian Osmena, California Community College Chancellor's Office

Background

The 2016-17 budget act provided \$200 million Proposition 98 General Fund ongoing to establish the Strong Workforce Program. The purpose of the program was to improve the availability and quality of CTE and workforce programs leading to certificates, degrees, and other credentials.

This program supplements about \$2 billion in apportionment funding for CTE instruction at CCCs. This includes credit, noncredit and career development and college preparation (CDCP) courses. In 2016-17, CTE FTES accounted for approximately 25 percent of all FTES statewide.

Emphasizes Regional Planning. AB 1602 (Committee on Budget), Chapter 24, Statutes of 2016, required community colleges to coordinate their CTE activities within seven existing regional consortia (Bay Area, Central/Mother Lode, Inland Empire/Desert, Los Angeles, North/Far North, Orange County, San Diego/Imperial, and South Central Cost). Each consortium, consisting of all community colleges in the region, is to ensure that its offerings are responsive to the needs of employers, workers, civic leaders, and students. To this end, each consortium must collaborate with local workforce development boards, economic development and industry sector leaders, and representatives from civic and labor organizations within its region. Each consortium also must collaborate with LEAs, adult education consortia, and interested California State University and University of California campuses to improve program alignment.

Four-Year Program Plans. Consortia must meet at least annually to develop or update four-year program plans based on analyses of regional labor market needs. Each plan must include: regional goals aligned with performance measures under the federal Workforce Innovation and Opportunity Act (WIOA); a work plan, spending plan, and budget for regionally prioritized projects identifying the amounts allocated for one-time and ongoing expenditure; and a description of the alignment of the plan with other CTE and workforce plans in the area, including the regional WIOA plan. The Chancellor's Office will review the plans and provide technical assistance to consortia not meeting their goals. The Chancellor's Office is to post regional plans on the CCC website and beginning January 1, 2018, annually submit a report to the Governor and the Legislature on performance outcomes, disaggregated for underserved demographic groups. In 2018, the Chancellor's Office submitted a report to the Legislature; however, at the time outcomes metrics were not available. The report instead provided general information on the distribution of funds by region and investments by sectors. As of writing this agenda, the 2019 report has not been released.

Each region has an identified priority or emerging industry sector based on labor market data. These industry sectors are:

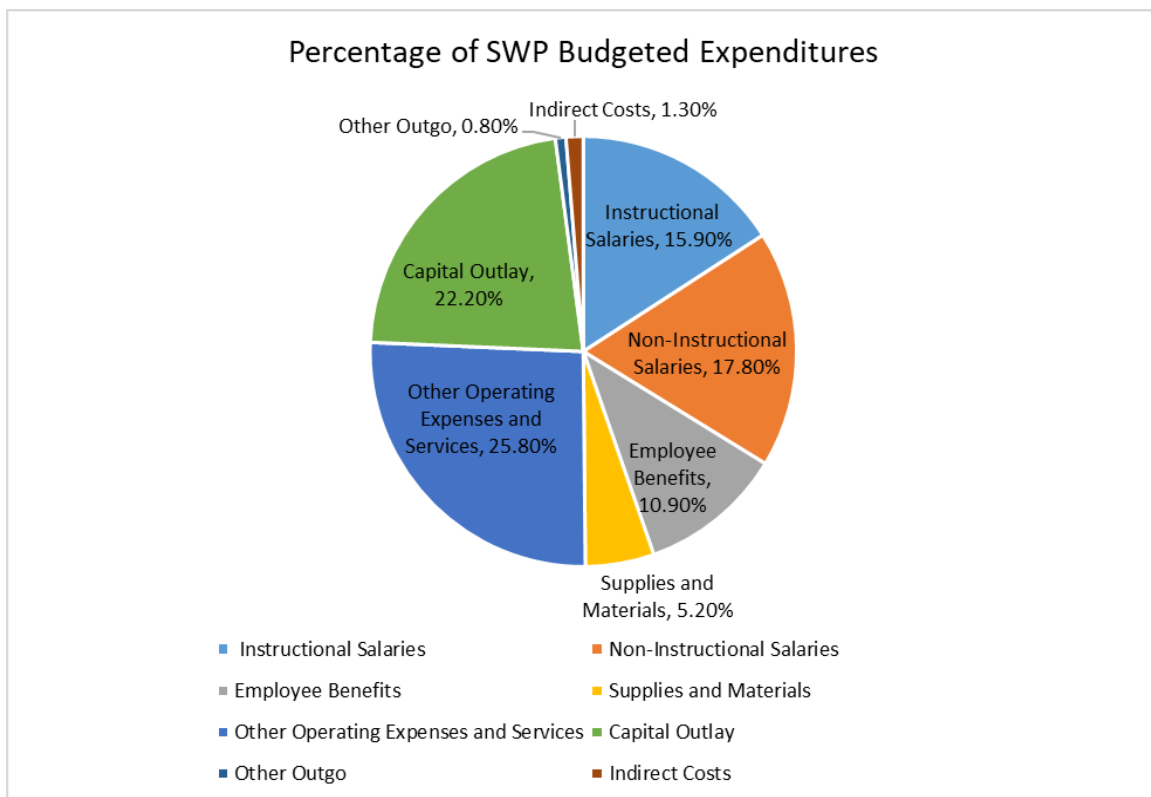
1. Advanced manufacturing

2. Advanced transportation and renewables
3. Agriculture, water and environmental technologies
4. Energy, construction and utilities
5. Global trade and logistics
6. Health
7. Information and communication technologies
8. Life sciences and biotechnology
9. Retail, hospitality and tourism
10. Small business

For example in the Inland Empire/ Desert region, the priority and emergent sectors are: (1) advanced manufacturing (priority), (2) advanced transportation and logistics (emergent), (3) global trade (priority), (4) health (priority), and (5) digital media (emergent).

Based on information provided by the Chancellor's Office, regions invested the most in the health sector (which was identified as a priority sector in all regions), information and communications technology/digital media (identified as a priority or emergent sector in all regions by the central valley), and advanced manufacturing (identified as a priority or emergent sector in all regions).

Allocates Funds to Regions and Districts. AB 1602 directs the Chancellor to provide 40 percent of program funds to the seven CTE regional consortia and 60 percent directly to community college districts. Both pots of funding are for supporting regionally prioritized initiatives aligned with their CTE program plans. AB 1602 prohibits districts from using the new funds to supplant existing support for CTE programs. The chart below displays how colleges spent funds.



AB 1602 permits the Chancellor to allocate up to five percent (\$10 million Proposition 98 General Fund) of the funds to a community college district for statewide activities to improve and administer the program. The Chancellor's Office notes that it used \$10 million to:

1. Develop and maintain state technological infrastructure and services. Examples include the NOVA reporting system and Here to Career Mobile App,
2. Support the collection and use of outcomes data. This funded the CTE Outcomes Survey (CTEOS), which collects information on whether a student obtained a job related to their field of study (data that are not available elsewhere and are included in the Strong Workforce Program Metrics, as well as the Vision for Success and the Student Success Metrics); and the LaunchBoard suite of data tools, which includes the Strong Workforce Program tab that provides access to the colleges/districts/region on SWP outcomes data for Career Education students,
3. Support of the creation of new curriculum,
4. Contribute to the statewide re-branding of CTE, and
5. Provide training and technical assistance with implementing the Strong Workforce Program.

Requires Chancellor's Office to Recommend Funding Allocations. For 2016–17, each region's and district's funding allocation will reflect its share of (1) the state's unemployed adults, (2) FTE students enrolled in CTE courses, and (3) projected job openings. Each of these factors will determine one-third of that year's allocation. Beginning in 2017–18, unemployment and CTE enrollment each will comprise 33 percent of the allocation, job openings will comprise 17 percent, and successful workforce outcomes (as evidenced by the WIOA performance measures) will comprise 17 percent. The Chancellor's Office will provide its recommended funding allocation to DOF and the Legislative Analyst's Office by August 30 of each year. Release of funds is subject to DOF's approval.

The Chancellor's Office notes that beginning in 2019-20; SWP incentive funding will revise the definitions of workforce outcomes metrics and methodology to align the student success metrics of the Student Focused Funding Formula.

Metrics	FY 2017-18 (using original SWP metrics)	FY 2018-19 (using original SWP metrics)	FY 2019-20+ (aligned with Student Success Metrics)
Course Enrollments	X		
Progress		X	X
Credential Attainment	X	X	X
Transfer		X	X
Employment		X	
Job Related to Field of Study		X	X
Earnings		X	X
Earnings Gain		X	X
Living Wage		X	X

Requires Chancellor's Office to Develop Certain Workforce Policies. AB 1602 requires the Chancellor's Office to submit a plan by July 1, 2017 to (1) reduce the time required to gain local and state approval for a new course or program to no more than one academic year, and (2) ensure portability of approved courses and programs across colleges and districts. In addition, AB 1602 directs the Chancellor's Office to eliminate barriers to hiring qualified instructors for CTE courses, including

reevaluating the required minimum qualifications for CTE instructors. AB 1602 directs the Chancellor's Office to consult with various stakeholders, including the CCC Academic Senate and the California Workforce Development Board, in developing these policies.

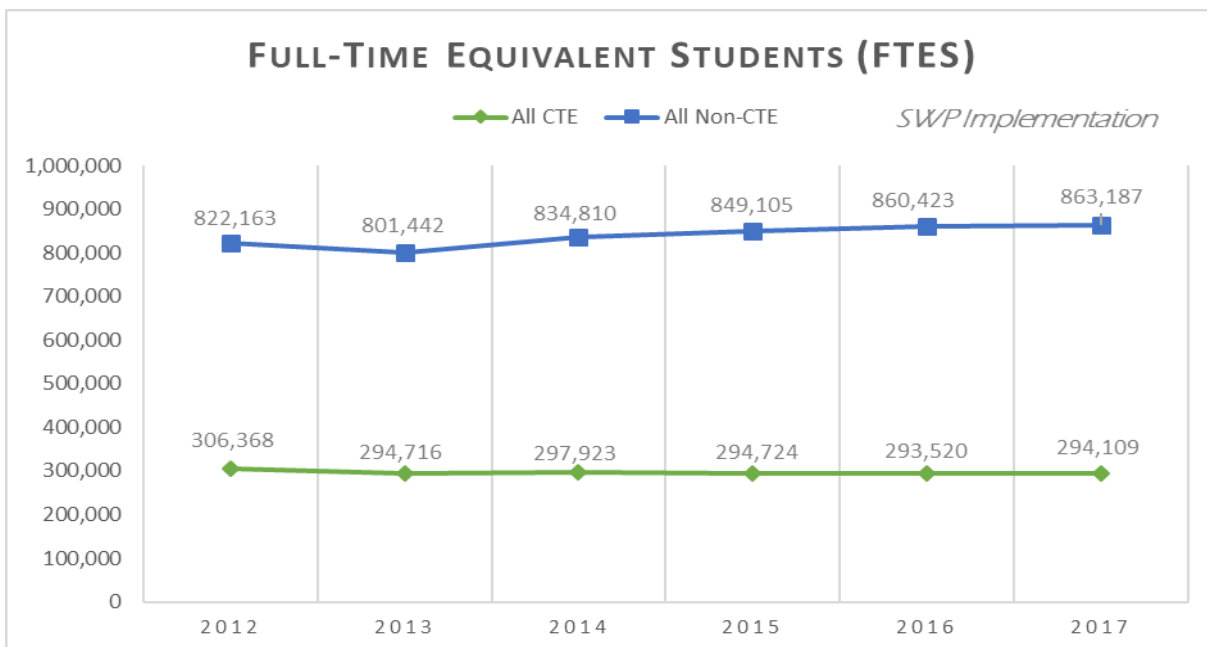
Governor's Budget Proposal

The Governor's budget continues to fund the Strong Workforce Program with \$248 million Proposition 98 General Fund. However, approximately \$77 million Proposition 98 is from one-time funds. The Administration indicates that while the program is through a combination of one-time and ongoing funds, the intent is to continue funding this program on an ongoing basis.

Staff Comments

The Chancellor's Office notes that there is limited outcomes data regarding the impact of the Strong Workforce Program. Based on preliminary data, the Chancellor's Office notes that one-year after implementation of the Strong Workforce Program, CTE FTES increased by 600 FTES from 2016-17 to 2017-18. Additionally, from 2016-18 to 2017-18, there was an estimated increase of 4,878 CTE certificates or degrees. The charts below summarize trends prior to implementation of the program and one-year after implementation.

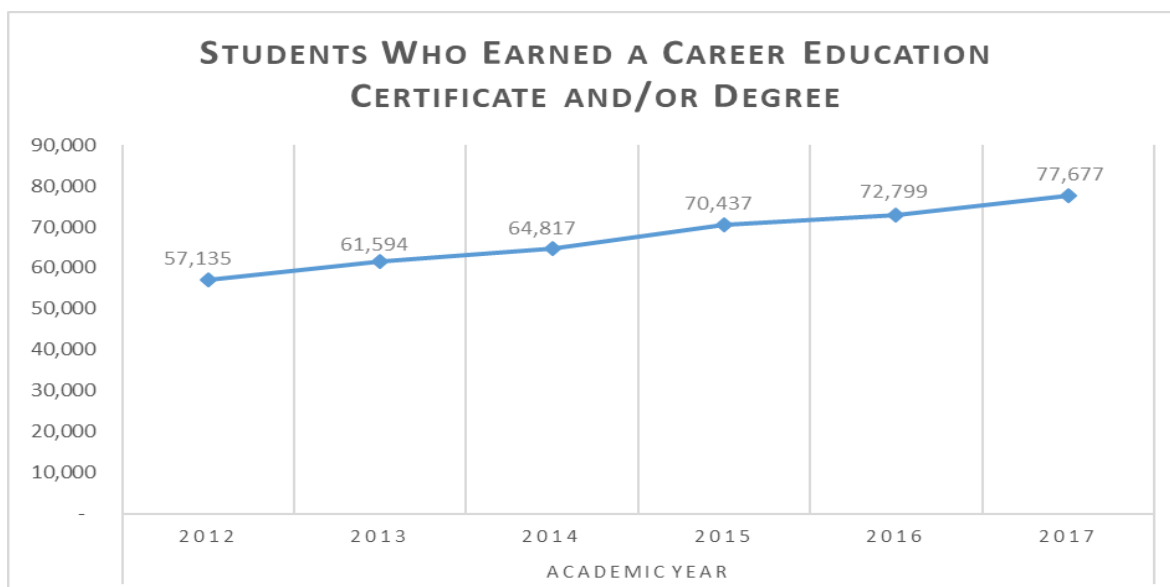
Full-Time Equivalent CTE Students



Region	Academic Year					
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
State	306,368	294,716	297,923	294,724	293,520	294,109
Bay Area	66,889	62,599	62,472	60,866	60,024	58,593
Central Valley/Mother Lode	30,681	29,302	29,658	30,212	30,185	31,003
Inland Empire-Desert	23,489	23,129	22,624	22,431	22,082	21,806
Los Angeles/Orange County	104,305	100,824	103,604	100,262	99,817	100,124
North/Far North	32,852	32,005	31,338	31,809	33,946	33,418
San Diego/Imperial	26,159	25,255	26,001	26,711	25,310	26,925
South Central Coast	21,994	21,601	22,226	22,435	22,155	22,240

While there was an overall increase of 600 CTE FTES statewide, some regions experienced a decrease in CTE FTE enrollment: the Bay Area (1,431 FTEs decrease), Inland Empire-Desert (276 FTE decrease) and the North/Far North (528 FTE decrease). The subcommittee may wish to ask why these regions experienced this decline.

Students completing a CTE Certificate or Degree by Region



Region	Academic Year					
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
State	57,135	61,594	64,817	70,437	72,799	77,677
Bay Area	12,100	13,258	14,013	14,055	14,022	14,463
Central Valley/Mother Lode	5,628	6,204	6,677	7,530	7,640	8,564
Inland Empire/Desert	5,334	5,016	4,947	4,988	5,044	5,463
Los Angeles/Orange County	17,808	19,975	20,110	23,759	24,547	26,340
North/Far North	6,663	7,159	7,302	7,008	7,488	7,549
San Diego/Imperial	6,237	6,396	7,493	8,771	9,325	9,556
South Central Coast	3,386	3,604	4,286	4,346	4,754	5,764

Due to limited data, it is unclear how SWP impacted a student's earnings, whether they obtained employment in jobs related to their field of study, or if colleges are meeting the demands of industry or students. Staff notes that without this critical information, it is difficult for the Legislature to evaluate the program as it enters into its fourth year. Additionally, as the Chancellor's Office plans to amend its outcomes metrics and methodology to align with Student Funding Formula, the Legislature may wish to ask if this would impact a community colleges' behavior.

Staff Recommendation. Hold Open.